



Directorate of
Intelligence

MASTER FILE COPY

~~Secret~~

25X1

**DO NOT GIVE OUT
OR MARK ON**

European Review

25X1

31 July 1985

~~Secret~~

*EUR ER 85-017
31 July 1985*

Copy **452**

Page Denied

Secret

25X1

European Review

25X1

31 July 1985

		<i>Page</i>	
Briefs	NATO: SDI Reaction of Smaller Allies	1	25X1
	France-Spain: Joint Efforts Against Terrorists	1	25X1
	West Germany-Turkey: Kohl's Talks in Ankara	2	25X1
	Canada: Ontario Planning Tougher Environmental Stance	2	25X1
	East Germany: Honecker's Heir	3	25X1
	Yugoslavia: Growing Institutional Bickering	3	25X1

Articles

25X6

Poland: Declining Demonstration Activity

13

25X1
25X1

Analysis of demonstrations on major Polish anniversaries since the imposition of martial law in December 1981 indicates that—after an initial flurry—the size of protests steadily decreased until late 1984 and then stabilized. This decline probably reflects a growing belief by discouraged opposition activists that overt confrontation will not achieve their objectives, rather than increased support for the Jaruzelski regime.

25X1

Secret

25X1

Hungary: Giving Workers a Voice in Management

17

25X1

25X1

Recent reforms have made Hungary the first CEMA member to begin allowing workers a direct role in enterprise decision making. By the end of 1986, when the new managerial restructuring is completed, state-owned enterprises in industry and parts of agriculture will fall into three categories—those run by existing administrative committees and those run by one of two new forms of management that allow workers to participate in the hiring or firing of enterprise directors and to have a voice in business practices and investment plans. Although the reform will increase worker participation in management, central authorities will retain their right to veto actions perceived to be in conflict with the Kadar regime's basic economic and social policies.

25X1

Economic News in Brief

21

25X1

Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as uncoordinated views.

25X1

Secret

Secret

25X1

Briefs**NATO****SDI Reaction of Smaller Allies**

25X1

The US invitation to participate in SDI research has drawn mixed reactions from the smaller NATO Allies. Turkey and Portugal have responded favorably to the initiative, even though the advanced technologies involved are beyond their capabilities. Other Allies have not reacted positively:

- Opposition parties in the Danish parliament have succeeded in passing a resolution severely limiting any Danish role.
- Oslo has limited Norwegian participation to the involvement of private firms in "civilian" aspects of SDI research.
- Domestic opposition to Spanish membership in NATO has prompted Madrid to delay its response to the US invitation.
- Athens, too, has yet to reply. Nevertheless, given Papandreu's opposition to INF deployments and Greek participation in a six-nation initiative condemning the militarization of space, it is unlikely that Greece will participate in any research connected with SDI.

25X1

Domestic policy issues aside, it appears that the smaller Allies are being pulled in two directions on SDI. On the one hand, despite their limited ability to contribute to SDI research, they are sensitive to being excluded from the program's potential scientific and economic benefits. On the other hand, they also are concerned—should they participate—about being relegated to second-rate status in a program dominated by the more technically advanced Allies. In the long run, domestic political considerations may well prove the deciding factor, and could further reduce the chance that undecided Allies will participate in the program.

25X1

France-Spain**Joint Efforts Against Terrorists**

25X1

The Friendship and Cooperation Agreement signed by France and Spain on 9 July represents a significant step forward. It calls for regular meetings of government chiefs and enhanced collaboration on diplomatic and defense issues. Most important, the agreement also provides for greater cooperation against terrorism, drug smuggling, and other forms of cross-border crime. The Spanish had long sought such an agreement.

25X1

The French may have gone along now in part because the agreement conforms to France's predilection for bilateral rather than multilateral action against terrorism. The recent acquittal in Spain of accused Basque terrorists extradited from France also may have helped by assuaging French skepticism about the fairness of Spanish justice. This could make Paris more receptive to future Spanish extradition requests. Greater bilateral cooperation against terrorism will help to keep ETA—the Basque terrorist organization—off balance in its operational bases in southern France.

25X1

Secret

EUR ER 85-017
31 July 1985

Secret

West Germany-Turkey**Kohl's Talks in Ankara**

25X1

FRG Chancellor Kohl's recent trip to Turkey marks the first visit of a West European head of state since the military coup in 1980. One key issue discussed but still unresolved concerns the free movement of Turkish workers within the European Community—1.5 million Turks now reside in West Germany alone. Ankara argues that the 1964 Turkish-EC Association Agreement requires the right of free movement after 1 December 1986, but Bonn rejects this contention. A West German "non-paper" provided to the US Embassy in Ankara states that Bonn cannot tolerate any new influx of Turkish workers—presumably because of high domestic unemployment and popular resistance.

The Germans are considering, however, an agreement to improve conditions for Turks already in West Germany, and Kohl also supports resuming EC aid to Turkey and full Turkish membership in the Council of Europe. According to the US Embassy in Ankara, the Turks may be willing to drop their demand for free movement beyond 1 December 1986 in return for other concessions from the Germans. For example, Ankara will probably seek increased German investment in Turkey, additional FRG military aid, and Turkish-German coproduction of military equipment. Bonn may agree to some concessions to promote bilateral business deals, strengthen democracy in Turkey, and improve Ankara's ties to the West but probably will continue its attempts to induce Ankara to restrict the migration of Turkish workers to West Germany.

25X1

25X1

Canada**Ontario Planning Tougher Environmental Stance**

25X1

In the first of what is likely to be a series of moves to tighten Ontario's environmental standards, the new Liberal minority government on 5 July approved a strict toxic chemicals "spills bill." The law holds owners, handlers, and carriers of hazardous materials to "absolute liability" in the event of a spill. Canada's chemical industry, which is concentrated in Ontario, strongly opposes the law, fearing that absolute liability—which does not allow for "acts of God" or other events over which a company has no control—will make it impossible to obtain insurance. The government promises to consult with industry officials in drawing up implementation regulations to be announced in late November but maintains that the law's basic principle is not open to review.

25X1

A recent series of PCB spills in Ontario has heightened concern over toxic wastes, and both the Liberals and the New Democratic Party, which is supporting the minority government, emphasized strong environmental policies in the recent election. In addition to these regulations on toxic materials, the Ontario government is likely to press Ottawa for action on acid rain and Great Lakes' water pollution, moves that could complicate US-Canadian relations.

25X1

Secret

Secret

East Germany**Honecker's Heir**

25X1

Egon Krenz, East German Central Committee (CC) Secretary for Security, Youth, and Sports, and at 48 the youngest Politburo member, is consolidating his position as General Secretary Honecker's heir apparent. According to the East German press, Wolfgang Herger, 39, who was a secretary of the party youth organization with Krenz in the 1970s, was made head of the CC security department sometime this spring. Gerd Schulz, 38, a Krenz protege, took over Herger's former position as head of the CC youth department.

25X1

Krenz almost certainly had Honecker's assent for these moves, as control over party assignments and promotions is a vital element of Honecker's power. Honecker's backing of Krenz has been evident at least since December 1983, when Krenz became one of the few to receive East Germany's highest decoration—the Order of Karl Marx—before his 50th birthday. Krenz was included in East German delegations to the Andropov and Chernenko funerals, the 1984 CEMA summit, and the gathering in Poland earlier this year for renewal of the Warsaw Treaty. The US Ambassador on 8 July found Krenz self-assured and imposing, but thoroughly loyal to the Soviet view of world events. Krenz told the Ambassador that he had a long acquaintance with Soviet leader Gorbachev.

25X1

Yugoslavia**Growing Institutional Bickering**

25X1

The Yugoslav Assembly's difficulty in passing some key pieces of economic legislation has resulted in sharpened infighting among the country's top leadership bodies. In July the party's number-two man, Dimce Belovski, contrasted the party's allegedly good record of tackling issues with a "whole series of problems" still on the Assembly's doorstep. A few days later the State Presidency similarly groused that the Assembly's lackluster performance was causing "public dissatisfaction." Conversely, one Assembly delegate, Macedonia's Vanco Nikolovski, charged that the party's guidance on one bill has been of "no great help," and two other delegates blamed the Federal Executive Council for tardy submission of legislation.

25X1

The latest controversies reflect the lifting of many of the constraints on public polemics in place during the Tito era. They also highlight the institutional checks and balances built into Yugoslavia's unique Communist system, where the party shares power with governmental bodies. Efforts to pass blame are likely to continue, since the collective leadership system and the country's serious economic problems discourage the taking of responsibility. Bills on foreign exchange and planning are among the most nettlesome before the Assembly. Conflicting regional interests would slow work on them regardless of which body is responsible for their resolution.

25X1

Secret

25X1

Page Denied

Next 6 Page(s) In Document Denied

25X1

25X1

25X1

25X1
25X1

Secret

Poland: Declining Demonstration Activity

25X1

Analysis of demonstrations on major Polish anniversaries since the imposition of martial law in December 1981 indicates that—after an initial flurry—the size of protests steadily decreased until late 1984 and then stabilized. This decline probably reflects a growing belief by discouraged opposition activists that overt confrontation will not achieve their objectives, rather than increased support for the Jaruzelski regime.

Fewer Demonstrations

Observances of significant anniversaries since December 1981 have provided Solidarity supporters an occasion to show dissatisfaction with Warsaw's policies and therefore provide an important barometer of political tensions. While the data is sketchy, it appears that the level of demonstration activity has steadily decreased on three major anniversaries—May Day, 31 August (the anniversary of Solidarity's founding in 1980), and 16 December (the anniversary of the killing of 45 workers in the 1970 food riots).

The number of demonstrators in Warsaw and other major cities has fallen from a high of 100,000 on May Day 1982 to somewhere between 3,000 and 20,000 on the same day this year. The protests on 31 August and 16 December have long been significantly smaller than most May Day disturbances, with the exception of Solidarity's anniversary in August 1982.

Underground activists were eager that summer to demonstrate the union's continuing strength on its first anniversary after martial law and to thwart government plans to outlaw the union (which it subsequently did, with impunity, but not until October). Another exception to the steady decline in participation in street protests was the demonstration last December that was almost twice as large as the one in 1983. This upsurge was probably attributable to popular reaction to the murder of clergyman Papieluszko.

Anniversary Demonstration Activity, 1982-85

	May Day	31 August	16 December
1982			
Demonstrators	100,000	100,000	1,500
Cities	13 ^a	60-66	2
Arrests	2,269 ^b	4,000-7,000	0
1983			
Demonstrators	40,000-100,000	15,000-28,000	1,000-4,000
Cities	20-35	7-10	4-7
Arrests	1,000	1,255-1,385	17
1984			
Demonstrators	8,000-35,000	5,300-6,500	3,000-20,000
Cities	6-9	12	1-2
Arrests	600	100	15-20
1985			
Demonstrators	3,000-20,000	NA	NA
Cities	11-13	NA	NA
Arrests	600	NA	NA

^a Indicates total for May Day and 3 May, Constitution Day.

^b The data for this table were compiled from various press accounts and US Embassy reports. There is such a wide range in the figures because the reporting bodies employ different methods of calculating crowd size and have different sources for determining arrest levels and the number of cities where demonstrations took place. According to Embassy sources, reports are often only best guesses.

25X1

25X1

25X1

25X1

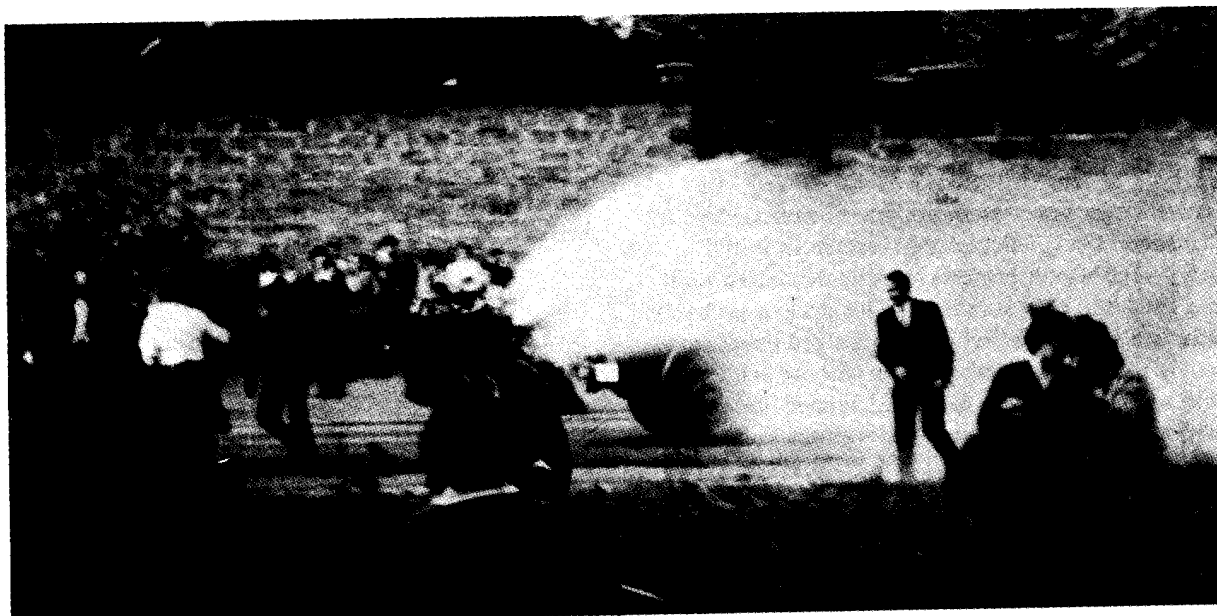
25X1

25X1

Secret

EUR ER 85-017
31 July 1985

Secret



Demonstration in Krakow on major anniversary in 1982. [redacted]

25X1

The number of cities where protests occur has also fallen. Demonstrations in 1984-85 have been confined largely to major Solidarity strongholds, particularly Warsaw, Gdansk, Gdynia, Nowa Huta, Wroclaw, and Poznan. By contrast, the August 1982 protests involved about 60 cities, according to US Embassy reporting. [redacted]

rather than throwing tear gas canisters and rocks at the militia. Opposition leaders almost certainly tried to reduce the risk of violence in hopes of maintaining sizable turnouts. [redacted]

25X1

Less Violence

The number of arrests and the general level of violence also seem to have declined. The US Embassy estimates that 7,000 demonstrators were arrested on 31 August 1982, whereas only 100 were taken into custody on that same date two years later. Arrests on May Day have leveled off at about 600 after declining from much higher levels. The arrests on 16 December have never been very significant. [redacted]

Government and Opposition Tactics

The government has employed a number of techniques to deter would-be demonstrators. A key strategy has been preemptive arrests of key Solidarity activists a few days before each major anniversary. In addition, the regime frequently orders highly visible security buildups in potential trouble spots. Other preventive measures include banning the sale of alcohol, issuing warnings over radio and television to stay at home, and implementing simplified court procedures for sentencing demonstrators. [redacted]

25X1

25X1

25X1

The easing in violence seems largely attributable to increased restraint by both the riot police and the protesters. The government probably has been less forceful because it wants to bolster its international image, avoid provoking a populace already largely intimidated, and show that the situation is returning to normal. Demonstrators, for their part, have increasingly limited their actions to verbal abuse

The methods used by the militia to disperse demonstrators vary, depending on the aggressiveness of the crowds and the orders of their superiors. On most occasions the militia use loudspeakers to get the crowds to disperse. These statements contain stern warnings of the consequences of continuing to

Secret

Secret

demonstrate. If this fails, the riot police often bring in the familiar water cannons, and, sometimes, percussion grenades, tear gas, flares, and rubber clubs. [REDACTED]

25X1

Embassy officials point out that opposition leaders in several cities, particularly Warsaw and Poznan, seem to have become especially adept in steering crowds away from danger and getting them to disperse voluntarily once they have made clear their protest of government policies. A good example is dissident leader Jacek Kuron's dispersal of demonstrators this May Day after the militia blocked their march. Activists in other cities, particularly Gdansk, have not yet, however, picked up on these new tactics. [REDACTED]

25X1

Outlook

Street demonstrations in Poland are likely to persist at low levels for the next several years. Protests are unlikely to go away completely because they represent a key element in Solidarity's strategy of demonstrating that the union's ideals retain popular support and of disproving the regime's contention that it is gaining support. Although present demonstration activity poses no direct challenge to the Jaruzelski regime, such protests will remain an annoyance to government leaders and thwart Warsaw's efforts to present an image of normalcy. [REDACTED]

25X1

25X1

Secret

Secret

Hungary: Giving Workers a Voice in Management

25X1

Recent reforms have made Hungary the first CEMA member to begin allowing workers a direct role in enterprise decision making. By the end of 1986, when the new managerial restructuring is completed, state-owned enterprises in industry and parts of agriculture will fall into three categories—those run by existing administrative committees and those run by one of two new forms of management that allow workers to participate in the hiring or firing of enterprise directors and to have a voice in business practices and investment plans. Although the reform will increase worker participation in management, central authorities will retain their right to veto actions perceived to be in conflict with the Kadar regime's basic economic and social policies.

The Reform Program

Reform guidelines laid down by the Party Central Committee in April 1984 call for the gradual transformation of management structures in state enterprises along the lines that have proved successful in collectively owned businesses. The reorganization is a major feature of a broad new program designed to increase the efficiency of enterprises by making them more responsive to market forces. Budapest recognizes the inflexibility of large enterprises and has reversed its earlier policy of merging smaller companies into large units. In fact, since 1980 the government has divided 40 large enterprises into 300 independent small- and medium-sized firms. "Democratizing" enterprise management is the newest facet of the drive for efficiency. Budapest believes that giving workers a more direct voice in decisionmaking will enhance motivation, responsibility, and sense of ownership, thereby improving the enterprise's effectiveness and profitability.

On 1 January 1985 the enterprise law of 1977 was modified to provide the legal basis for the new forms of management. The Ministry of Industry was the first central authority to publish formal guidelines,

which envisage the step-by-step transformation of 306 enterprises by the end of 1986. Forty industrial enterprises will remain under direct state administration, another 51 will be run by a management team elected directly during a general meeting of all workers or their delegates at which basic policy also will be decided; and 197 will be managed by the new worker-elected Enterprise Councils. The ministry is still debating the managerial form of 18 other enterprises.

25X1

Three Forms of Management

State-Appointed Management. Enterprises and centralized trusts that provide key public services—in the areas of national defense, transportation and utilities, health and cultural activities—will continue to be run by managers or committees appointed by the central authorities. This essentially unchanged managerial structure will affect approximately 30 percent of the industrial work force.

25X1

Directly Elected Management. Enterprises with a relatively simple organizational structure and less than 500 employees will be run by a management team elected at a general meeting by either the workers or—if the size is too large for all workers to attend—their elected representatives. The general meeting is to be held at least twice a year or when major decisions concerning enterprise operations are required. During the meeting the workers will elect a leadership collective and a director. The leadership body will have five to 15 members, meet at least quarterly, and will be in charge of managing the enterprise. It will be responsible for approving the annual output and investment plans as well as proposals for forming partnerships with other enterprises. The collective also will represent the state as employer of the director and can initiate the director's recall.

25X1

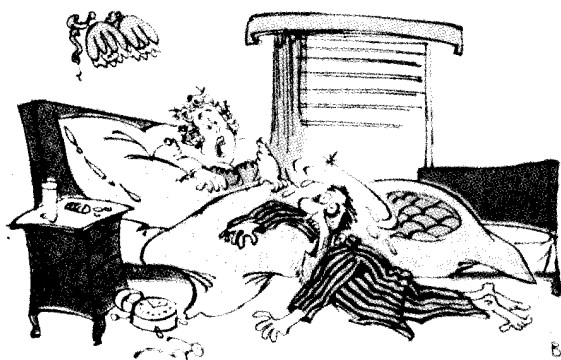
25X1

25X1

Secret

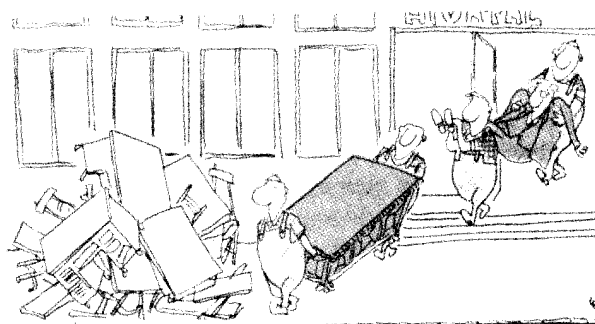
EUR ER 85-017
31 July 1985

Secret



I had a frightful dream—The plant collective voted me director!

Ludas Matyi



Trash removal (sign reads "office")

Ludas Matyi

Council-Elected Management. The broadest changes are in larger enterprises where the state will delegate some of its ownership rights and responsibilities to new Enterprise Councils. The councils will have the right to control and operate enterprise assets, elect and dismiss the director, and determine his responsibilities. The government has created guidelines for the councils intended to ensure adequate representation of all interest groups within the enterprise. However, the list of the candidates running for council positions must be submitted to the central authorities for approval before the election. With this provision, the state essentially will retain its power to determine who can be elected to the council and who will be running the enterprise.

The Enterprise Council will meet two or three times a year and make decisions on "strategic" issues concerning the firm's line of business and operating procedures. The meetings will be run by either the council chairman or his deputy. Both are elected by the council and are members of it, but neither can be the enterprise director. The director, in turn, is responsible for managing the firm's day-to-day operations on the basis of guidelines established by the council. During the first meeting of a new council, the existing manager is either endorsed or voted out. In the latter case, a new director is chosen for a five-year period in a one person/one vote secret ballot election.

Problems of Implementation

Despite the apparent care and caution the regime has built into the reforms, it is unlikely that the changeover will be a smooth one. The press has already reported opposition to the Industrial Ministry's preliminary recommendations, and it seems certain that this resistance will persist. Many enterprises that have been slated for change have requested permission to remain under direct ministerial control, believing that—as in the past—state administration will bring special privileges. Furthermore, many managers view the reforms as a threat to their personal power and special perquisites. They realize that, if their enterprise switches to collective management, they can be voted out of their position at the first collective meeting. Radio Free Europe reports indicate that some managers are so worried about this possibility that they have tried to form a special interest group under the auspices of the Patriotic Peoples' Front, a party front organization responsible for organizing and controlling elections.

The Ministry of Industry has responded to the early resistance by promising to work out a compromise with representatives of the dissenting enterprises. However, the ministry carefully notes that final decisions will be made for the good of the entire economy and not the parochial interests of any individual enterprise.

25X1
25X1

25X1

25X1

25X1

25X1

Secret

Secret

State Still Retains Ultimate Control

Although the government claims the management reforms give control of the enterprise to the workers, it has created administrative and legal guidelines that diminish the likelihood of managerial resistance to state policy. The government requires documentary proof of professional, political, and moral reliability before it will approve a candidate for enterprise manager and apparently plans to use its authority to influence the choice of who the manager will be. In November 1984, for example, a major paint factory had received special permission from the industrial ministry to elect a new manager. Although the council came up with 10 candidates for the position, the state approved only three. [redacted]

The state also will monitor the meetings of the new leadership bodies by requiring that party and trade union representatives participate with consultative authority. Although this authority has not yet been clearly defined, early indications are that the representatives will try to use it to influence council decisions. As one local party secretary stated in the media, "We are going to be present at all the meetings of the council, and we are not going to be yes men. We have the right to express our opinion and, if the situation warrants it, will correct some of the decisions and will not remain silent. Of this you can be sure." [redacted]

The state also retains legal ownership of the enterprise, allowing it to intervene and alter the leadership's decisions if that is deemed necessary for the good of the entire economy. Because the transformation process is in its preliminary stages, it is difficult to tell how often the state plans to use this authority. Frequent intervention seems unlikely because, if the reforms are to achieve the stated goal of increasing worker responsibility, motivation, and productivity, then the workers must believe that their control over their enterprise has increased. The state probably also recognizes that frequent meddling would discredit its claim that democracy in the workplace had increased. Finally, situations requiring state intervention are likely to be rare because the guidelines and controls that the state has incorporated into the reforms make it virtually impossible for individuals who disagree with state policy to gain a managerial position. [redacted]

Outlook

Even with these caveats, the new managerial reforms provide another illustration that Hungary remains the most innovative and comprehensive reformer in the Soviet Bloc. Nonetheless—as with other aspects of the reform—Budapest will proceed at a cautious pace that the regime feels it can control. The Hungarian reformers, moreover, stress that their initiatives do not borrow from Yugoslav "self-management," which they believe involves excessive decentralization and an almost endemic inflationary wage-price spiral. While the reforms may instill a greater appreciation of the worker's role in his job, they are not likely to threaten central control over major enterprises or the Communist Party's ability to direct the economy.

25X1
25X1

25X1

25X1

Secret

Secret

Economic News in Brief

Western Europe

Thatcher government introduced measures in mid-July to bring down the 13-percent unemployment rate . . . state funds to be used to encourage companies to shift orders away from areas of relative prosperity to those hit hard by unemployment . . . London also hopes that proposals for broad deregulation of small businesses and removal of youth from minimum wage controls will stimulate job creation. []

British National Coal Board to close at least 50 uneconomic pits eliminating 50,000 mining jobs by 1989 . . . miners' union will surely oppose move, but recent breakaway of Nottinghamshire area miners will weaken position . . . government will use split by offering higher wages to members of the new union, most of whom worked throughout the 1984-85 coal strike. []

Greek Government announced purchase of Hellenic Shipyards in mid-July, the country's largest shipyard . . . firm had closed down after mounting losses and inability to fire up to 2,000 workers . . . purchase aimed at saving jobs as unemployment rises but is likely to expand large public-sector deficit. []

Dutch Cabinet has abandoned its target of slashing the public-sector deficit to 7.4 percent of net national income by 1986 . . . move designed to improve the center-right government's popularity in time for next year's elections . . . Finance Minister Ruding strongly opposes the decision, warning that deeper retrenchment is needed to offset rising interest burden, declining natural gas proceeds, and further delay in social security reforms. []

Portugal's continuing recession caused a decline in its first-quarter current account deficit to \$69 million compared with \$267 million last year . . . weak domestic demand led to 14-percent fall in imports that more than offset lower tourism receipts and worker remittances . . . first-quarter results suggest yearend deficit will be well under government's \$850 million projection. []

25X1

Turkish Prime Minister Ozal's visit to China 30 June-5 July focused mainly on economic issues . . . the two sides agreed to increase bilateral trade from the present \$40-50 million level to approximately \$500 million in the next four to five years . . . visit represents Ozal's continued push to open the Turkish economy by promoting exports and foreign investment. []

25X1

25X1

25X1

Eastern Europe

Warsaw called on Western governments to extend Poland \$800-900 million in new credits this year . . . argues Poland needs funds to live up to debt rescheduling agreement signed on 15 July with official creditors . . . Western governments reluctant to extend new loans, however, and Warsaw may not have enough cash to meet large debt payments due by end of year. []

25X1

25X1

Yugoslavia has extended a second \$10 million line of credit to Nicaragua for purchase of industrial and agricultural machinery . . . result of Ortega's trip through Eastern Europe in April and May. []

25X1

25X1

Secret

EUR ER 85-017
31 July 1985

Page Denied

Next 1 Page(s) In Document Denied

Secret

Secret